

104TH CONGRESS
1ST SESSION

S. 1050

To promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

IN THE SENATE OF THE UNITED STATES

JULY 19 (legislative day, JULY 10), 1995

Mr. SHELBY (for himself, Mr. CRAIG, and Mr. HELMS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Freedom and Fairness Restoration Act of 1995”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title.

TITLE I—TAX REDUCTION AND SIMPLIFICATION;
SUPERMAJORITY REQUIRED FOR TAX CHANGES

Subtitle A—Tax Reduction and Simplification

Sec. 101. Individual income tax.

- Sec. 102. Tax on business activities.
- Sec. 103. Simplification of rules relating to qualified retirement plans.
- Sec. 104. Repeal of alternative minimum tax.
- Sec. 105. Repeal of credits.
- Sec. 106. Repeal of estate and gift taxes and obsolete income tax provisions.
- Sec. 107. Effective date.

Subtitle B—Supermajority Required for Tax Changes

- Sec. 111. Supermajority required.

TITLE II—SPENDING RESTRAINT AND BUDGET PROCESS REFORM

Subtitle A—Joint Budget Resolution

- Sec. 201. Joint budget resolution.

Subtitle B—Zero Based Budgeting and Decennial Sunsetting

- Sec. 211. Reauthorization of discretionary programs and unearned entitlements.
- Sec. 212. Point of order.
- Sec. 213. Decennial sunsetting.

Subtitle C—Spending Caps on the Growth of Entitlements for Fiscal Years 1996 Through 2002

- Sec. 221. Spending caps on growth of entitlements and mandatories.
- Sec. 222. Exempt programs and activities.
- Sec. 223. Exceptions, limitations, and special rules.
- Sec. 224. Point of order.

Subtitle D—Balanced Budget by Fiscal Year 2002

- Sec. 231. Maximum spending amounts.
- Sec. 232. Enforcing maximum spending sequestration.
- Sec. 233. Total spending point of order.

1 **TITLE I—TAX REDUCTION AND** 2 **SIMPLIFICATION;** 3 **SUPERMAJORITY REQUIRED** 4 **FOR TAX CHANGES**

5 **Subtitle A—Tax Reduction and** 6 **Simplification**

7 **SEC. 101. INDIVIDUAL INCOME TAX.**

- 8 (a) IN GENERAL.—Section 1 of the Internal Revenue
- 9 Code of 1986 is amended to read as follows:

1 **“SECTION 1. TAX IMPOSED.**

2 “There is hereby imposed on the taxable income of
3 every individual a tax equal to 20 percent (17 percent in
4 the case of taxable years beginning after December 31,
5 1997) of the taxable income of such individual for such
6 taxable year.”

7 (b) TAXABLE INCOME.—Section 63 of such Code is
8 amended to read as follows:

9 **“SEC. 63. TAXABLE INCOME.**

10 “(a) IN GENERAL.—For purposes of this subtitle, the
11 term ‘taxable income’ means the excess of—

12 “(1) the sum of—

13 “(A) wages (as defined in section 3121(a)
14 without regard to paragraph (1) thereof) which
15 are paid in cash and which are received during
16 the taxable year for services performed in the
17 United States,

18 “(B) retirement distributions which are in-
19 cludible in gross income for such taxable year,
20 plus

21 “(C) amounts received under any law of
22 the United States or of any State which is in
23 the nature of unemployment compensation, over

24 “(2) the standard deduction.

25 “(b) STANDARD DEDUCTION.—

1 “(1) IN GENERAL.—For purposes of this sub-
2 title, the term ‘standard deduction’ means the sum
3 of—

4 “(A) the basic standard deduction, plus

5 “(B) the additional standard deduction.

6 “(2) BASIC STANDARD DEDUCTION.—For pur-
7 poses of paragraph (1), the basic standard deduction
8 is—

9 “(A) \$21,400 in the case of—

10 “(i) a joint return, or

11 “(ii) a surviving spouse (as defined in
12 section 2(a)),

13 “(B) \$14,000 in the case of a head of
14 household (as defined in section 2(b)), and

15 “(C) \$10,700 in the case of an individ-
16 ual—

17 “(i) who is not married and who is
18 not a surviving spouse or head of house-
19 hold, or

20 “(ii) who is a married individual filing
21 a separate return.

22 “(3) ADDITIONAL STANDARD DEDUCTION.—For
23 purposes of paragraph (1), the additional standard
24 deduction is \$5,000 for each dependent (as defined
25 in section 152) who is described in section 151(c)(1)

1 for the taxable year and who is not required to file
2 a return for such taxable year.

3 “(c) RETIREMENT DISTRIBUTIONS.—For purposes of
4 subsection (a), the term ‘retirement distribution’ means
5 any distribution from—

6 “(1) a plan described in section 401(a) which
7 includes a trust exempt from tax under section
8 501(a),

9 “(2) an annuity plan described in section
10 403(a),

11 “(3) an annuity contract described in section
12 403(b),

13 “(4) an individual retirement account described
14 in section 408(a),

15 “(5) an individual retirement annuity described
16 in section 408(b),

17 “(6) an eligible deferred compensation plan (as
18 defined in section 457);

19 “(7) a governmental plan (as defined in section
20 414(d)); or

21 “(8) a trust described in section 501(c)(18).

22 Such term includes any plan, contract, account, annuity,
23 or trust which, at any time, has been determined by the
24 Secretary to be such a plan, contract, account, annuity,
25 or trust.

1 “(d) INCOME OF CERTAIN CHILDREN.—For purposes
2 of this subtitle—

3 “(1) an individual’s taxable income shall include
4 the taxable income of each dependent child of such
5 individual who has not attained age 14 as of the
6 close of such taxable year, and

7 “(2) such dependent child shall have no liability
8 for tax imposed by section 1 with respect to such in-
9 come and shall not be required to file a return for
10 such taxable year.

11 “(e) INFLATION ADJUSTMENT.—

12 “(1) IN GENERAL.—In the case of any taxable
13 year beginning in a calendar year after 1996, each
14 dollar amount contained in subsection (b) shall be
15 increased by an amount determined by the Secretary
16 to be equal to—

17 “(A) such dollar amount, multiplied by

18 “(B) the cost-of-living adjustment for such
19 calendar year.

20 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
21 poses of paragraph (1), the cost-of-living adjustment
22 for any calendar year is the percentage (if any) by
23 which—

24 “(A) the CPI for the preceding calendar
25 year, exceeds

1 “(B) the CPI for the calendar year 1995.

2 “(3) CPI FOR ANY CALENDAR YEAR.—For pur-
3 poses of paragraph (2), the CPI for any calendar
4 year is the average of the Consumer Price Index as
5 of the close of the 12-month period ending on Au-
6 gust 31 of such calendar year.

7 “(4) CONSUMER PRICE INDEX.—For purposes
8 of paragraph (3), the term ‘Consumer Price Index’
9 means the last Consumer Price Index for all-urban
10 consumers published by the Department of Labor.
11 For purposes of the preceding sentence, the revision
12 of the Consumer Price Index which is most consist-
13 ent with the Consumer Price Index for calendar year
14 1986 shall be used.

15 “(5) ROUNDING.—If any increase determined
16 under paragraph (1) is not a multiple of \$10, such
17 increase shall be rounded to the next highest mul-
18 tiple of \$10.

19 “(f) MARITAL STATUS.—For purposes of this section,
20 marital status shall be determined under section 7703.”

21 **SEC. 102. TAX ON BUSINESS ACTIVITIES.**

22 (a) IN GENERAL.—Section 11 of the Internal Reve-
23 nue Code of 1986 (relating to tax imposed on corpora-
24 tions) is amended to read as follows:

1 **“SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.**

2 “(a) TAX IMPOSED.—There is hereby imposed on
3 every person engaged in a business activity a tax equal
4 to 20 percent (17 percent in the case of taxable years be-
5 ginning after December 31, 1997) of the business taxable
6 income of such person.

7 “(b) LIABILITY FOR TAX.—The tax imposed by this
8 section shall be paid by the person engaged in the business
9 activity, whether such person is an individual, partnership,
10 corporation, or otherwise.

11 “(c) BUSINESS TAXABLE INCOME.—For purposes of
12 this section—

13 “(1) IN GENERAL.—The term ‘business taxable
14 income’ means gross active income reduced by the
15 deductions specified in subsection (d).

16 “(2) GROSS ACTIVE INCOME.—

17 “(A) IN GENERAL.—For purposes of para-
18 graph (1), the term ‘gross active income’ means
19 gross receipts from—

20 “(i) the sale or exchange of property
21 or services in the United States by any
22 person in connection with a business activ-
23 ity, and

24 “(ii) the export of property or services
25 from the United States in connection with
26 a business activity.

1 “(B) EXCHANGES.—For purposes of this
 2 section, the amount treated as gross receipts
 3 from the exchange of property or services is the
 4 fair market value of the property or services re-
 5 ceived, plus any money received.

6 “(C) COORDINATION WITH SPECIAL RULES
 7 FOR FINANCIAL SERVICES, ETC.—Except as
 8 provided in subsection (e)—

9 “(i) the term ‘property’ does not in-
 10 clude money or any financial instrument,
 11 and

12 “(ii) the term ‘services’ does not in-
 13 clude financial services.

14 “(3) EXEMPTION FROM TAX FOR ACTIVITIES OF
 15 GOVERNMENTAL ENTITIES AND TAX-EXEMPT ORGA-
 16 NIZATIONS.—For purposes of this section, the term
 17 ‘business activity’ does not include any activity of a
 18 governmental entity or of any other organization
 19 which is exempt from tax under this chapter.

20 “(d) DEDUCTIONS.—

21 “(1) IN GENERAL.—The deductions specified in
 22 this subsection are—

23 “(A) the cost of business inputs for the
 24 business activity,

1 “(B) wages (as defined in section 3121(a)
2 without regard to paragraph (1) thereof) which
3 are paid in cash for services performed in the
4 United States as an employee, and

5 “(C) retirement contributions to or under
6 any plan or arrangement which makes retire-
7 ment distributions (as defined in section 63(c))
8 for the benefit of such employees to the extent
9 such contributions are allowed as a deduction
10 under section 404.

11 “(2) BUSINESS INPUTS.—

12 “(A) IN GENERAL.—For purposes of para-
13 graph (1), the term ‘cost of business inputs’
14 means—

15 “(i) the amount paid for property sold
16 or used in connection with a business ac-
17 tivity,

18 “(ii) the amount paid for services
19 (other than for the services of employees,
20 including fringe benefits paid by reason of
21 such services) in connection with a busi-
22 ness activity, and

23 “(iii) any excise tax, sales tax, cus-
24 toms duty, or other separately stated levy
25 imposed by a Federal, State, or local gov-

1 ernment on the purchase of property or
2 services which are for use in connection
3 with in a business activity.

4 Such term shall not include any tax imposed by
5 chapter 2 or 21.

6 “(B) EXCEPTIONS.—Such term shall not
7 include—

8 “(i) items described in subparagraphs
9 (B) and (C) of paragraph (1), and

10 “(ii) items for personal use not in
11 connection with any business activity.

12 “(C) EXCHANGES.—For purposes of this
13 section, the amount treated as paid in connec-
14 tion with the exchange of property or services
15 is the fair market value of the property or serv-
16 ices exchanged, plus any money paid.

17 “(e) SPECIAL RULES FOR FINANCIAL
18 INTERMEDIATION SERVICE ACTIVITIES.—In the case of
19 the business activity of providing financial intermediation
20 services, the taxable income from such activity shall be
21 equal to the value of the intermediation services provided
22 in such activity.

23 “(f) EXCEPTION FOR SERVICES PERFORMED AS EM-
24 PLOYEE.—For purposes of this section, the term ‘business

1 activity' does not include the performance of services by
 2 an employee for the employee's employer.

3 “(g) CARRYOVER OF EXCESS DEDUCTIONS.—

4 “(1) IN GENERAL.—If the aggregate deductions
 5 for any taxable year exceed the gross active income
 6 for such taxable year, the amount of the deductions
 7 specified in subsection (d) for the succeeding taxable
 8 year (determined without regard to this subsection)
 9 shall be increased by the sum of—

10 “(A) such excess, plus

11 “(B) the product of such excess and the 3-
 12 month Treasury rate for the last month of such
 13 taxable year.

14 “(2) 3-MONTH TREASURY RATE.—For purposes
 15 of paragraph (1), the 3-month Treasury rate is the
 16 rate determined by the Secretary based on the aver-
 17 age market yield (during any 1-month period se-
 18 lected by the Secretary and ending in the calendar
 19 month in which the determination is made) on out-
 20 standing marketable obligations of the United States
 21 with remaining periods to maturity of 3 months or
 22 less.”

23 (b) TAX ON TAX-EXEMPT ENTITIES PROVIDING
 24 NONCASH COMPENSATION TO EMPLOYEES.—Section
 25 4977 of such Code is amended to read as follows:

1 **“SEC. 4977. TAX ON NONCASH COMPENSATION PROVIDED**
2 **TO EMPLOYEES NOT ENGAGED IN BUSINESS**
3 **ACTIVITY.**

4 “(a) IMPOSITION OF TAX.—There is hereby imposed
5 a tax equal to 20 percent (17 percent in the case of cal-
6 endar years beginning after December 31, 1997) of the
7 value of excludable compensation provided during the cal-
8 endar year by an employer for the benefit of employees
9 to whom this section applies.

10 “(b) LIABILITY FOR TAX.—The tax imposed by this
11 section shall be paid by the employer.

12 “(c) EXCLUDABLE COMPENSATION.—For purposes
13 of subsection (a), the term ‘excludable compensation’
14 means any remuneration for services performed as an em-
15 ployee other than—

16 “(1) wages (as defined in section 3121(a) with-
17 out regard to paragraph (1) thereof) which are paid
18 in cash,

19 “(2) remuneration for services performed out-
20 side the United States, and

21 “(3) retirement contributions to or under any
22 plan or arrangement which makes retirement dis-
23 tributions (as defined in section 63(c)).

24 “(d) EMPLOYEES TO WHOM SECTION APPLIES.—
25 This section shall apply to an employee who is employed
26 in any activity by—

1 “(1) any organization which is exempt from
2 taxation under this chapter, or

3 “(2) any agency or instrumentality of the Unit-
4 ed States, any State or political subdivision of a
5 State, or the District of Columbia.”

6 **SEC. 103. SIMPLIFICATION OF RULES RELATING TO QUALI-**
7 **FIED RETIREMENT PLANS.**

8 (a) IN GENERAL.—The following provisions of the In-
9 ternal Revenue Code of 1986 are hereby repealed:

10 (1) NONDISCRIMINATION RULES.—

11 (A) Paragraphs (4) and (5) of section
12 401(a) (relating to nondiscrimination require-
13 ments).

14 (B) Sections 401(a)(10)(B) and 416 (re-
15 lating to top heavy plans).

16 (C) Section 401(a)(17) (relating to com-
17 pensation limit).

18 (D) Sections 401(a)(26) and 410(b) (relat-
19 ing to minimum participation and coverage re-
20 quirements).

21 (E) Sections 401(k)(3), 401(k)(8), and
22 4979 (relating to actual deferral percentage).

23 (F) Section 401(l) (relating to permitted
24 disparity in plan contributions or benefits).

1 (G) Section 401(m) (relating to non-
2 discrimination test for matching contributions
3 and employee contributions).

4 (H) Paragraphs (1)(D) and (12) of section
5 403(b) (relating to nondiscrimination require-
6 ments).

7 (I) Paragraph (3) of section 408(k) and
8 paragraph (6) (other than subparagraph (A)(i))
9 of such section (relating to simplified employee
10 pensions).

11 (2) CONTRIBUTION LIMITS.—

12 (A) Sections 401(a)(16), 403(b)(2) and
13 (3), and 415 (relating to limitations on benefits
14 and contributions under qualified plans).

15 (B) Sections 401(a)(30) and 402(g) (relat-
16 ing to limitation on exclusion for elective defer-
17 rals).

18 (C) Paragraphs (3) and (7) of section
19 404(a) (relating to percentage of compensation
20 limits).

21 (D) Section 404(l) (relating to limit on in-
22 cludible compensation).

23 (3) RESTRICTIONS ON DISTRIBUTIONS.—

1 (A) Section 72(t) (relating to 10-percent
2 additional tax on early distributions from quali-
3 fied retirement plans).

4 (B) Sections 401(a)(9), 403(b)(10), and
5 4974 (relating to minimum distribution rules).

6 (C) Section 402(d) (relating to tax on
7 lump sum distributions).

8 (D) Section 402(e)(4) (relating to net un-
9 realized appreciation).

10 (E) Section 4980A (relating to tax on ex-
11 cess distributions from qualified retirement
12 plans).

13 (4) SPECIAL REQUIREMENTS FOR PLAN BENE-
14 FITTING SELF-EMPLOYED INDIVIDUALS.—Subsections
15 (a)(10)(A) and (d) of section 401.

16 (5) PROHIBITION OF TAX-EXEMPT ORGANIZA-
17 TIONS AND GOVERNMENTS FROM HAVING QUALIFIED
18 CASH OR DEFERRED ARRANGEMENTS.—Section
19 401(k)(4)(B).

20 (b) EMPLOYER REVERSIONS OF EXCESS PENSION
21 ASSETS PERMITTED SUBJECT ONLY TO INCOME INCLU-
22 SION.—

23 (1) REPEAL OF TAX ON EMPLOYER REVER-
24 SIONS.—Section 4980 of such Code is hereby re-
25 pealed.

1 (2) EMPLOYER REVERSIONS PERMITTED WITH-
2 OUT PLAN TERMINATION.—Section 420 of such
3 Code is amended to read as follows:

4 **“SEC. 420. TRANSFERS OF EXCESS PENSION ASSETS.**

5 “(a) IN GENERAL.—If there is a qualified transfer
6 of any excess pension assets of a defined benefit plan
7 (other than a multiemployer plan) to an employer—

8 “(1) a trust which is part of such plan shall not
9 be treated as failing to meet the requirements of sec-
10 tion 401(a) or any other provision of law solely by
11 reason of such transfer (or any other action author-
12 ized under this section), and

13 “(2) such transfer shall not be treated as a pro-
14 hibited transaction for purposes of section 4975.

15 The gross income of the employer shall include the amount
16 of any qualified transfer made during the taxable year.

17 “(b) QUALIFIED TRANSFER.—For purposes of this
18 section—

19 “(1) IN GENERAL.—The term ‘qualified trans-
20 fer’ means a transfer—

21 “(A) of excess pension assets of a defined
22 benefit plan to the employer, and

23 “(B) with respect to which the vesting re-
24 quirements of subsection (c) are met in connec-
25 tion with the plan.

1 “(2) ONLY 1 TRANSFER PER YEAR.—No more
 2 than 1 transfer with respect to any plan during a
 3 taxable year may be treated as a qualified transfer
 4 for purposes of this section.

5 “(c) VESTING REQUIREMENTS OF PLANS TRANSFER-
 6 RING ASSETS.—The vesting requirements of this sub-
 7 section are met if the plan provides that the accrued pen-
 8 sion benefits of any participant or beneficiary under the
 9 plan become nonforfeitable in the same manner which
 10 would be required if the plan had terminated immediately
 11 before the qualified transfer (or in the case of a partici-
 12 pant who separated during the 1-year period ending on
 13 the date of the transfer, immediately before such separa-
 14 tion).

15 “(d) DEFINITION AND SPECIAL RULE.—For pur-
 16 poses of this section—

17 “(1) EXCESS PENSION ASSETS.—The term ‘ex-
 18 cess pension assets’ means the excess (if any) of—

19 “(A) the amount determined under section
 20 412(c)(7)(A)(ii), over

21 “(B) the greater of—

22 “(i) the amount determined under
 23 section 412(c)(7)(A)(i), or

24 “(ii) 125 percent of current liability
 25 (as defined in section 412(c)(7)(B)).

1 The determination under this paragraph shall be
2 made as of the most recent valuation date of the
3 plan preceding the qualified transfer.

4 “(2) COORDINATION WITH SECTION 412.—In
5 the case of a qualified transfer—

6 “(A) any assets transferred in a plan year
7 on or before the valuation date for such year
8 (and any income allocable thereto) shall, for
9 purposes of section 412, be treated as assets in
10 the plan as of the valuation date for such year,
11 and

12 “(B) the plan shall be treated as having a
13 net experience loss under section
14 412(b)(2)(B)(iv) in an amount equal to the
15 amount of such transfer and for which amorti-
16 zation charges begin for the first plan year
17 after the plan year in which such transfer oc-
18 curs, except that such section shall be applied
19 to such amount by substituting ‘10 plan years’
20 for ‘5 plan years’.”

21 **SEC. 104. REPEAL OF ALTERNATIVE MINIMUM TAX.**

22 Part VI of subchapter A of chapter 1 of the Internal
23 Revenue Code of 1986 is hereby repealed.

1 **SEC. 105. REPEAL OF CREDITS.**

2 Part IV of subchapter A of chapter 1 of the Internal
3 Revenue Code of 1986 is hereby repealed.

4 **SEC. 106. REPEAL OF ESTATE AND GIFT TAXES AND OBSO-**
5 **LETE INCOME TAX PROVISIONS.**

6 (a) REPEAL OF ESTATE AND GIFT TAXES.—

7 (1) IN GENERAL.—Subtitle B of the Internal
8 Revenue Code of 1986 is hereby repealed.

9 (2) EFFECTIVE DATE.—The repeal made by
10 paragraph (1) shall apply to the estates of decedents
11 dying, and gifts and generation-skipping transfers
12 made, after December 31, 1995.

13 (b) REPEAL OF OBSOLETE INCOME TAX PROVI-
14 SIONS.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), chapter 1 of the Internal Revenue Code
17 of 1986 is hereby repealed.

18 (2) EXCEPTIONS.—Paragraph (1) shall not
19 apply to—

20 (A) sections 1, 11, and 63 of such Code,
21 as amended by this Act,

22 (B) those provisions of chapter 1 of such
23 Code which are necessary for determining
24 whether or not—

25 (i) retirement distributions are includ-
26 ible in the gross income of employees, or

- 1 (ii) an organization is exempt from
2 tax under such chapter, and
3 (C) subchapter D of such chapter 1 (relat-
4 ing to deferred compensation).

5 **SEC. 107. EFFECTIVE DATE.**

6 Except as otherwise provided in this subtitle, the
7 amendments made by this subtitle shall apply to taxable
8 years beginning after December 31, 1995.

9 **Subtitle B—Supermajority**
10 **Required for Tax Changes**

11 **SEC. 111. SUPERMAJORITY REQUIRED.**

12 (a) IN GENERAL.—It shall not be in order in the
13 House of Representatives or the Senate to consider any
14 bill, joint resolution, amendment thereto, or conference re-
15 port thereon that includes any provision that—

- 16 (1) increases any Federal income tax rate,
17 (2) creates any additional Federal income tax
18 rate,
19 (3) reduces the standard deduction, or
20 (4) provides any exclusion, deduction, credit or
21 other benefit which results in a reduction in Federal
22 revenues.

23 (b) WAIVER OR SUSPENSION.—This section may be
24 waived or suspended in the House of Representatives or

1 the Senate only by the affirmative vote of three-fifths of
 2 the Members, duly chosen and sworn.

3 **TITLE II—SPENDING RESTRAINT**
 4 **AND BUDGET PROCESS REFORM**
 5 **Subtitle A—Joint Budget**
 6 **Resolution**

7 **SEC. 201. JOINT BUDGET RESOLUTION.**

8 (a) DEFINITIONS.—Paragraph (4) of section 3 of the
 9 Congressional Budget Act of 1974 is amended to read as
 10 follows:

11 “(4) the term ‘joint resolution on the budget’
 12 means—

13 “(A) a joint resolution setting forth the
 14 congressional budget for the United States Gov-
 15 ernment for a fiscal year as provided in section
 16 301; and

17 “(B) any other joint resolution revising the
 18 congressional budget for the United States Gov-
 19 ernment for a fiscal year as described in section
 20 304.”.

21 (b) JOINT RESOLUTION ON THE BUDGET.—(1) Sec-
 22 tion 300 is amended by striking “concurrent resolution”
 23 each place it appears and inserting “joint resolution”.

24 (2) Section 301(a) of the Congressional Budget Act
 25 of 1974 is amended by striking “concurrent resolution”

1 each place it appears including in the caption and insert-
2 ing “joint resolution”.

3 (3) Section 301(b) is amended by striking “concur-
4 rent resolution” each place it appears including in the cap-
5 tion and inserting “joint resolution”.

6 (4) Section 301(c) is amended by striking “concur-
7 rent resolution” each place it appears and inserting “joint
8 resolution”.

9 (5) Section 301(e) is amended by striking “concur-
10 rent resolution” each place it appears and inserting “joint
11 resolution”.

12 (6) Section 301(f) is amended by striking “concur-
13 rent resolution” each place it appears and inserting “joint
14 resolution”.

15 (7) Section 301(g) is amended by striking “concur-
16 rent resolution” each place it appears and inserting “joint
17 resolution”.

18 (8) Section 301(h) is amended by striking “concur-
19 rent resolution” and inserting “joint resolution”.

20 (9) Section 301(i) is amended by striking “concur-
21 rent resolution” each place it appears and inserting “joint
22 resolution”.

23 (10) The section heading of section 301 is amended
24 by striking “**ANNUAL ADOPTION OF CONCURRENT**”
25 and inserting “**ANNUAL ADOPTION OF JOINT**”.

1 (11) The table of contents set forth in section 1(b)
2 of the Congressional Budget and Impoundment Control
3 Act of 1974 is amended by striking “Annual adoption of
4 the concurrent” in the item relating to section 301 and
5 inserting “Annual adoption of the joint”.

6 (12) Section 302 is amended by striking “concurrent
7 resolution” each place it appears and inserting “joint reso-
8 lution”.

9 (13) Section 303, including the heading, is amended
10 by striking “concurrent resolution” each place it appears
11 and inserting “joint resolution”.

12 (14) The table of contents set forth in section 1(b)
13 of the Congressional Budget and Impoundment Control
14 Act of 1974 is amended by striking “Concurrent” in the
15 item relating to section 303 and inserting “Joint”.

16 (15) Section 304 is amended by striking “concurrent
17 resolution”, including in the heading, each place it appears
18 and inserting “joint resolution”.

19 (16) The table of contents set forth in section 1(b)
20 of the Congressional Budget and Impoundment Control
21 Act of 1974 is amended by striking “Concurrent” in the
22 item relating to section 304 and inserting “Joint”.

23 (17) Section 305 is amended by striking “concurrent
24 resolution”, including in the heading, each place it appears
25 and inserting “joint resolution”.

1 (18) Section 308 is amended by striking “concurrent
2 resolution” each place it appears and inserting “joint reso-
3 lution”.

4 (19) Section 310 is amended by striking “concurrent
5 resolution” each place it appears and inserting “joint reso-
6 lution”.

7 (20) Section 311 is amended by striking “concurrent
8 resolution” each place it appears and inserting “joint reso-
9 lution”.

10 **Subtitle B—Zero Based Budgeting**
11 **and Decennial Sunseting**

12 **SEC. 211. REAUTHORIZATION OF DISCRETIONARY PRO-**
13 **GRAMS AND UNEARNED ENTITLEMENTS.**

14 (a) FISCAL YEAR 1996.—Effective October 1, 1995,
15 spending authority for each unearned entitlement and
16 high-cost discretionary spending program is terminated
17 unless such spending authority is reauthorized after the
18 date of enactment of this Act.

19 (b) FISCAL YEAR 1997.—Effective October 1, 1996,
20 spending authority for each discretionary spending pro-
21 gram (not including high-cost discretionary spending pro-
22 grams) is terminated unless such spending authority is re-
23 authorized after the date of enactment of this Act.

24 (c) DEFINITIONS.—For purposes of this subtitle—

1 (1) the term “unearned entitlement” means an
2 entitlement not earned by service or paid for in total
3 or in part by assessments or contributions such as
4 Social Security, veterans’ benefits, retirement pro-
5 grams, and medicare; and

6 (2) the term “high-cost discretionary program”
7 means the most expensive one-third of discretionary
8 program within each budget function account.

9 **SEC. 212. POINT OF ORDER.**

10 (a) IN GENERAL.—It shall not be in order in the
11 House of Representatives or the Senate to consider any
12 bill, joint resolution, amendment, or conference report that
13 includes any provision that appropriates funds unless such
14 appropriation has been previously authorized by law.

15 (b) WAIVER OR SUSPENSION.—This section may be
16 waived or suspended in the House of Representatives or
17 the Senate only by the affirmative vote of three-fifths of
18 the Members, duly chosen and sworn.

19 **SEC. 213. DECENNIAL SUNSETTING.**

20 (a) FIRST DECENNIAL CENSUS YEAR.—Effective on
21 the first day of the fiscal year beginning in the first decen-
22 nial census year after the year 2001 and each 10 years
23 thereafter, the spending authority described in section
24 211(a) is terminated unless such spending authority is re-

1 authorized after the last date the spending authority was
2 required to be reauthorized under this subtitle.

3 (b) FIRST DECENNIAL CENSUS YEAR.—Effective on
4 the first day of the fiscal year beginning in the year after
5 the first decennial census year after the year 2001 and
6 each 10 years thereafter, the spending authority described
7 in section 211(b) is terminated unless such spending au-
8 thority is reauthorized after the last date the spending au-
9 thority was required to be reauthorized under this subtitle.

10 **Subtitle C—Spending Caps on the**
11 **Growth of Entitlements for Fis-**
12 **cal Years 1996 Through 2002**

13 **SEC. 221. SPENDING CAPS ON GROWTH OF ENTITLEMENTS**
14 **AND MANDATORIES.**

15 (a) CAP ON GROWTH OF ENTITLEMENTS.—Effective
16 for each of the fiscal years 1996 through 2002, the total
17 level of entitlement and mandatory spending, excluding
18 Social Security, shall not exceed the total level for the pre-
19 vious fiscal year increased by the consumer price index,
20 and the growth in eligible population.

21 (b) SEQUESTRATION.—Within 15 days after Con-
22 gress adjourns to end a session, and on the same day as
23 a sequestration (if any) under section 253 of the Balanced
24 Budget and Emergency Deficit Control Act of 1985, there
25 shall be a sequestration to reduce the amount of entitle-

1 ment and mandatory spending for the fiscal year begin-
2 ning in the year the Congress adjourns by any amount
3 necessary to reduce such spending to the level set forth
4 in subsection (a) unless that amount is less than
5 \$250,000,000.

6 (c) UNIFORM REDUCTIONS; LIMITATIONS.—The
7 amount required to be sequestered for the fiscal year
8 under subsection (a) shall be obtained from nonexempt di-
9 rect spending accounts by actions taken in the following
10 order:

11 (1) FIRST.—The reductions in the programs
12 specified in section 223(a) (National Wool Act and
13 special milk), section 223(b) (guaranteed student
14 loans), and section 223(c) (foster care and adoption
15 assistance) shall be made.

16 (2) SECOND.—Any additional reductions that
17 may be required shall be achieved by reducing each
18 remaining nonexempt direct spending account by the
19 uniform percentage necessary to achieve those addi-
20 tional reductions, except that—

21 (A) the low-income programs specified in
22 section 223(d) shall not be reduced by more
23 than 1 percent;

24 (B) the retirement and veterans benefits
25 specified in section 223(e) shall not be reduced

1 by more than 2 percent in the manner specified
2 in that section; and

3 (C) the medicare programs shall not be re-
4 duced by more than 4 percent in the manner
5 specified in section 223(f).

6 The limitations set forth in subparagraphs (A), (B),
7 and (C) shall be applied iteratively, and after each
8 iteration the uniform percentage applicable to all
9 other programs under this paragraph shall be in-
10 creased (if necessary) to a level sufficient to achieve
11 the reductions required by this paragraph.

12 **SEC. 222. EXEMPT PROGRAMS AND ACTIVITIES.**

13 (a) DESCRIPTIONS AND LISTS.—Except as provided
14 in subsection (b), the following budget accounts or activi-
15 ties shall be exempt from sequestration:

16 (1) Net interest.

17 (2) All payments to trust funds from excise
18 taxes or other receipts or collections properly cred-
19 itable to those trust funds.

20 (3) All payments from one Federal direct
21 spending budget account to another Federal budget
22 account; and all intragovernmental funds including
23 those from which funding is derived primarily from
24 other Government accounts, except to the extent
25 that such funds are augmented by direct appropria-

1 tions for the fiscal year for which the order is in ef-
2 fect.

3 (4) Activities resulting from private donations,
4 bequests, or voluntary contributions to the Govern-
5 ment.

6 (5) Payments from any revolving fund or trust-
7 revolving fund (or similar activity) that provides de-
8 posit insurance or other Government insurance, Gov-
9 ernment guarantees, or any other form of contingent
10 liability, to the extent those payments result from
11 contractual or other legally binding commitments of
12 the Government at the time of any sequestration.

13 (6) Credit liquidating and financing accounts.

14 (7) The following accounts, which largely fulfill
15 requirements of the Constitution or otherwise make
16 payments to which the Government is committed:

17 Administration of Territories, Northern
18 Mariana Islands Covenant grants (14-0412-0-
19 1-806).

20 Bureau of Indian Affairs, miscellaneous
21 payments to Indians (14-2303-0-1-452).

22 Bureau of Indian Affairs, miscellaneous
23 trust funds, tribal trust funds (14-9973-0-7-
24 999).

25 Claims, defense.

1 Claims, judgments, and relief act (20–
2 1895–0–1–806).

3 Compact of Free Association, economic as-
4 sistance pursuant to Public Law 99–658 (14–
5 0415–0–1–806).

6 Compensation of the President (11–0001–
7 0–1–802).

8 Customs Service, miscellaneous permanent
9 appropriations (20–9992–0–2–852).

10 Eastern Indian land claims settlement
11 fund (14–2202–0–1–806).

12 Farm Credit System Financial Assistance
13 Corporation, interest payments (20–1850–0–1–
14 351).

15 Internal Revenue collections of Puerto Rico
16 (20–5737–0–2–852).

17 Panama Canal Commission, operating ex-
18 penses and capital outlay (95–5190–0–2–403).

19 Payments of Vietnam and USS Pueblo
20 prisoner-of-war claims (15–0104–0–1–153).

21 Payments to copyright owners (03–5175–
22 0–2–376).

23 Payments to the United States territories,
24 fiscal assistance (14–0418–0–1–801).

1 Payments to widows and heirs of deceased
2 Members of Congress (00-0215-0-1-801).

3 Salaries of Article III judges.

4 Soldier's and Airmen's Home, payment of
5 claims (84-8930-0-7-705).

6 Washington Metropolitan Area Transit Au-
7 thority, interest payments (46-0300-0-1-401).

8 (8) The following noncredit special, revolv-
9 ing, or trust-revolving funds:

10 Coinage profit fund (20-5811-0-2-803).

11 Comptroller of the Currency.

12 Director of the Office of Thrift Super-
13 vision.

14 Exchange Stabilization Fund (20-4444-0-
15 3-155).

16 Federal Housing Finance Board.

17 Foreign Military Sales trust fund (11-
18 82232-0-7-155).

19 (9) Thrift Savings Fund.

20 (10) Appropriations for the District of Co-
21 lumbia to the extent they are appropriations of
22 locally raised funds.

23 (11)(A) Any amount paid as regular unem-
24 ployment compensation by a State from its ac-
25 count in the Unemployment Trust Fund (estab-

1 lished by section 904(a) of the Social Security
2 Act).

3 (B) Any advance made to a State from the
4 Federal unemployment account (established by sec-
5 tion 904(g) of such Act) under title XII of such Act
6 and any advance appropriated to the Federal unem-
7 ployment account pursuant to section 1203 of such
8 Act.

9 (C) Any payment made from the Federal Em-
10 ployees Compensation Account (as established under
11 section 909 of such Act) for the purpose of carrying
12 out chapter 85 of title 5, United States Code, and
13 funds appropriated or transferred to or otherwise
14 deposited in such Account.

15 (12) The earned income tax credit (payments to
16 individuals pursuant to section 32 of the Internal
17 Revenue Code of 1986).

18 (b) FEDERAL ADMINISTRATIVE EXPENSES.—

19 (1) Notwithstanding any provision of law other
20 than paragraph (3), administrative expenses in-
21 curred by the departments and agencies, including
22 independent agencies, of the Federal Government in
23 connection with any program, project, activity, or ac-
24 count shall be subject to reduction pursuant to any
25 sequestration order, without regard to any exemp-

1 tion, exception, limitation, or special rule otherwise
2 applicable with respect to such program, project, ac-
3 tivity, or account, and regardless of whether the pro-
4 gram, project, activity, or account is self-supporting
5 and does not receive appropriations.

6 (2) Payments made by the Federal Government
7 to reimburse or match administrative costs incurred
8 by a State or political subdivision under or in con-
9 nection with any program, project, activity, or ac-
10 count shall not be considered administrative ex-
11 penses of the Federal Government for purposes of
12 this section, and shall be subject to sequestration to
13 the extent (and only to the extent) that other pay-
14 ments made by the Federal Government under or in
15 connection with that program, project, activity, or
16 account are subject to that reduction or sequestra-
17 tion; except that Federal payments made to a State
18 as reimbursement of administrative costs incurred
19 by that State under or in connection with the unem-
20 ployment compensation programs specified in sub-
21 section (a)(11) shall be subject to reduction or se-
22 questration under this part notwithstanding the ex-
23 emption otherwise granted to such programs under
24 that subsection.

1 (3) Notwithstanding any other provision of law,
 2 the administrative expenses of the following pro-
 3 grams shall be exempt from sequestration:

4 (A) Comptroller of the Currency.

5 (B) Federal Deposit Insurance Corpora-
 6 tion.

7 (C) Office of Thrift Supervision.

8 (D) National Credit Union Administration.

9 (E) National Credit Union Administration,
 10 central liquidity facility.

11 (F) Federal Retirement Thrift Investment
 12 Board.

13 (G) Resolution Funding Corporation.

14 (H) Resolution Trust Corporation.

15 (I) Board of Governors of the Federal Re-
 16 serve System.

17 **SEC. 223. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

18 (a) NATIONAL WOOL ACT AND THE SPECIAL MILK
 19 PROGRAM.—Automatic spending increases are increases
 20 in outlays due to changes in indexes in the following pro-
 21 grams:

22 (1) National Wool Act.

23 (2) Special milk program.

1 In those programs all amounts other than the automatic
2 spending increases shall be exempt from reduction under
3 any sequestration order.

4 (b) THE GUARANTEED STUDENT LOAN PROGRAM.—

5 (1) Any reductions which are required to be achieved from
6 the student loan programs operated pursuant to part B
7 of title IV of the Higher Education Act of 1965 under
8 any sequestration order shall be achieved only from loans
9 described in paragraphs (2) and (3) by the application of
10 the measures described in such paragraphs.

11 (2) For any loan made during the period beginning
12 on the date that a sequestration order takes effect with
13 respect to a fiscal year, the rate used in computing the
14 special allowance payment pursuant to section
15 438(b)(2)(A)(iii) of such Act for each of the first four spe-
16 cial allowance payments for such loan shall be adjusted
17 by reducing such rate by the lesser of—

18 (A) 0.40 percent, or

19 (B) the percentage by which the rate specified
20 in such section exceeds 3 percent.

21 (3) For any loan made during the period beginning
22 on the date that a sequestration order takes effect with
23 respect to a fiscal year, the origination fee which is author-
24 ized to be collected pursuant to section 438(c)(2) of such
25 Act shall be increased by 0.50 percent.

1 (c) FOSTER CARE AND ADOPTION ASSISTANCE PRO-
2 GRAMS.—Any sequestration order shall make the reduc-
3 tion otherwise required under the foster care and adoption
4 assistance programs (established by part E of title IV of
5 the Social Security Act) only with respect to payments and
6 expenditures made by States in which increases in foster
7 care maintenance payment rates or adoption assistance
8 payment rates (or both) are to take effect during the fiscal
9 year involved, and only to the extent that the required re-
10 duction can be accomplished by applying a uniform per-
11 centage reduction to the Federal matching payments that
12 each such State would otherwise receive under section 474
13 of that Act (for such fiscal year) for that portion of the
14 State's payments attributable to the increases taking ef-
15 fect during that year. No State's matching payments from
16 the Federal Government for foster care maintenance pay-
17 ments or for adoption assistance maintenance payments
18 may be reduced by a percentage exceeding the applicable
19 domestic sequestration percentage. No State may, after
20 the date of the enactment of this Act, make any change
21 in the timetable for making payments under a State plan
22 approved under part E of title IV of the Social Security
23 Act which has the effect of changing the fiscal year in
24 which expenditures under such part are made.

1 (d) LOW-INCOME ENTITLEMENTS.—(1) Benefit pay-
 2 ments or payments to States or other entities for the pro-
 3 grams listed in paragraph (2) shall not be reduced by
 4 more than 1 percent under any sequestration order. When
 5 reduced under an end-of-session sequestration order, those
 6 benefit reductions shall occur starting with the payment
 7 made at the start of January. When reduced under a with-
 8 in-session sequestration order, those benefit reductions
 9 shall occur starting with the next periodic payment.

10 (2) The programs referred to in paragraph (1) are
 11 the following:

12 Aid to families with dependent children (75-
 13 0412-0-1-609);

14 Child nutrition (12-3539-0-1-605);

15 Food stamp programs (12-3505-0-1-605) and
 16 (12-3550-0-1-605);

17 Grants to States for medicaid (75-0512-0-1-
 18 551); and

19 Supplemental security income program (75-
 20 0406-0-1-609).

21 (e) FEDERAL RETIREMENT AND VETERANS' PRO-
 22 GRAMS.—

23 (1) For each of the programs listed in para-
 24 graph (2) and except as provided in paragraph (3),
 25 monthly (or other periodic) benefit payments shall

1 be reduced by the uniform percentage applicable to
2 direct spending sequestrations for such programs
3 under section 221(c)(2), which shall in no case ex-
4 ceed 2 percent under any sequestration order. When
5 reduced under an end-of-session sequestration order,
6 those benefit reductions shall occur starting with the
7 payment made at the start of January or 7 weeks
8 after the order is issued, whichever is later. When
9 reduced under a within-session sequestration order,
10 those benefit reductions shall occur starting with the
11 next periodic payment.

12 (2) The programs subject to paragraph (1) are:

13 Benefits payable under sections 3(a),
14 3(f)(3), 4(a), or 4(f) of the Railroad Retirement
15 Act of 1974;

16 Benefits under chapter 21 of title 38,
17 United States Code, relating to specially adapt-
18 ed housing and mortgage-protection life insur-
19 ance for certain veterans with service-connected
20 disabilities (36-0137-0-1-702);

21 Benefits under section 907 of title 38,
22 United States Code, relating to burial benefits
23 for veterans who die as a result of service-con-
24 nected disability (36-0155-0-1-701);

1 Benefits under chapter 39 of title 38,
2 United States Code, relating to automobiles and
3 adaptive equipment for certain disabled veter-
4 ans and members of the Armed Forces (36-
5 0137-0-1-702);

6 Black lung benefits (20-8144-0-7-601);

7 Central Intelligence Agency retirement and
8 disability system fund (56-3400-0-1-054);

9 Civil service retirement and disability fund
10 (24-8135-0-7-602);

11 Comptrollers general retirement system
12 (05-0107-0-1-801);

13 Foreign service retirement and disability
14 fund (19-8186-0-7-602);

15 Judicial survivors' annuities fund (10-
16 8110-0-7-602);

17 Longshoremen's and harborworkers' com-
18 pensation benefits (16-9971-0-7-601);

19 Military retirement fund (97-8097-0-7-
20 602);

21 National Oceanic and Atmospheric Admin-
22 istration retirement (13-1450-0-1-306);

23 Pensions for former Presidents (47-0105-
24 0-1-802);

1 Railroad retirement tier II (60-8011-0-7-
2 601);

3 Railroad supplemental annuity pension
4 fund (60-8012-0-7-602);

5 Retired pay, Coast Guard (69-0241-0-1-
6 403);

7 Retirement pay and medical benefits for
8 commissioned officers, Public Health Service
9 (75-0379-0-1-551);

10 Special benefits, Federal Employees' Com-
11 pensation Act (16-1521-0-1-600);

12 Special benefits for disabled coal miners
13 (75-0409-0-1-601);

14 Tax Court judges survivors annuity fund
15 (23-8115-0-7-602);

16 Veterans' compensation (36-0153-0-1-
17 701); and

18 Veterans' pensions (36-0154-0-1-701).

19 (f) MEDICARE PROGRAM.—

20 (1) CALCULATION OF REDUCTION IN INDIVID-
21 UAL PAYMENT AMOUNTS.—To achieve the total per-
22 centage reduction in those programs required by sec-
23 tion 221, the percentage reduction that shall apply
24 to payments under the health insurance programs
25 under title XVIII of the Social Security Act for serv-

1 ices furnished after any sequestration order is issued
2 shall be such that the reduction made in payments
3 under that order shall achieve the required total per-
4 centage reduction in those payments for that fiscal
5 year as determined on a 12-month basis.

6 (2) TIMING OF APPLICATION OF REDUC-
7 TIONS.—

8 (A) IN GENERAL.—Except as provided in
9 subparagraph (B), if a reduction is made under
10 paragraph (1) in payment amounts pursuant to
11 a sequestration order, the reduction shall be ap-
12 plied to payment for services furnished after the
13 effective date of the order. For purposes of the
14 previous sentence, in the case of inpatient serv-
15 ices furnished for an individual, the services
16 shall be considered to be furnished on the date
17 of the individual's discharge from the inpatient
18 facility.

19 (B) PAYMENT ON THE BASIS OF COST RE-
20 PORTING PERIODS.—In the case in which pay-
21 ment for services of a provider of services is
22 made under title XVIII of the Social Security
23 Act on a basis relating to the reasonable cost
24 incurred for the services during a cost reporting
25 period of the provider, if a reduction is made

1 under paragraph (1) in payment amounts pur-
2 suant to a sequestration order, the reduction
3 shall be applied to payment for costs for such
4 services incurred at any time during each cost
5 reporting period of the provider any part of
6 which occurs after the effective date of the
7 order, but only (for each such cost reporting pe-
8 riod) in the same proportion as the fraction of
9 the cost reporting period that occurs after the
10 effective date of the order.

11 (3) NO INCREASE IN BENEFICIARY CHARGES IN
12 ASSIGNMENT-RELATED CASES.—If a reduction in
13 payment amounts is made under paragraph (1) for
14 services for which payment under part B of title
15 XVIII of the Social Security Act is made on the
16 basis of an assignment described in section
17 1842(b)(3)(B)(ii), in accordance with section
18 1842(b)(6)(B), or under the procedure described in
19 section 1870(f)(1) of such Act, the person furnishing
20 the services shall be considered to have accepted
21 payment of the reasonable charge for the services,
22 less any reduction in payment amount made pursu-
23 ant to a sequestration order, as payment in full.

24 (4) NO EFFECT ON COMPUTATION OF AAPCC.—
25 In computing the adjusted average per capita cost

1 for purposes of section 1876(a)(4) of the Social Se-
2 curity Act, the Secretary of Health and Human
3 Services shall not take into account any reductions
4 in payment amounts which have been or may be ef-
5 fected under this subtitle.

6 (g) FEDERAL PAY.—

7 (1) IN GENERAL.—Except as provided in sec-
8 tion 222(b)(3), new budget authority to pay Federal
9 personnel shall be reduced by the uniform percent-
10 age calculated under section 221(c), but no seques-
11 tration order may reduce or have the effect of reduc-
12 ing the rate of pay to which any individual is enti-
13 tled under any statutory pay system (as increased by
14 any amount payable under section 5304 of title 5,
15 United States Code, or section 302 of the Federal
16 Employees Pay Comparability Act of 1990) or the
17 rate of any element of military pay to which any in-
18 dividual is entitled under title 37, United States
19 Code, or any increase in rates of pay which is sched-
20 uled to take effect under section 5303 of title 5,
21 United States Code, section 1009 of title 37, United
22 States Code, or any other provision of law.

23 (2) DEFINITIONS.—For purposes of this sub-
24 section:

1 (A) The term “statutory pay system” shall
2 have the meaning given that term in section
3 5302(1) of title 5, United States Code.

4 (B) The term “elements of military pay”
5 means—

6 (i) the elements of compensation of
7 members of the uniformed services speci-
8 fied in section 1009 of title 37, United
9 States Code,

10 (ii) allowances provided members of
11 the uniformed services under sections 403a
12 and 405 of such title, and

13 (iii) cadet pay and midshipman pay
14 under section 203(c) of such title.

15 (C) The term “uniformed services” shall
16 have the meaning given that term in section
17 101(3) of title 37, United States Code.

18 (h) CHILD SUPPORT ENFORCEMENT PROGRAM.—
19 Any sequestration order shall accomplish the full amount
20 of any required reduction in expenditures under sections
21 455 and 458 of the Social Security Act by reducing the
22 Federal matching rate for State administrative costs
23 under such program, as specified (for the fiscal year in-
24 volved) in section 455(a) of such Act, to the extent nec-
25 essary to reduce such expenditures by that amount.

1 (i) EXTENDED UNEMPLOYMENT COMPENSATION.—

2 (1) A State may reduce each weekly benefit payment made
3 under the Federal-State Extended Unemployment Com-
4 pensation Act of 1970 for any week of unemployment oc-
5 ccurring during any period with respect to which payments
6 are reduced under an order issued under this subtitle by
7 a percentage not to exceed the percentage by which the
8 Federal payment to the State under section 204 of such
9 Act is to be reduced for such week as a result of such
10 order.

11 (2) A reduction by a State in accordance with sub-
12 paragraph (A) shall not be considered as a failure to fulfill
13 the requirements of section 3304(a)(11) of the Internal
14 Revenue Code of 1986.

15 (j) COMMODITY CREDIT CORPORATION.—

16 (1) POWERS AND AUTHORITIES OF THE COM-
17 MODITY CREDIT CORPORATION.—This subtitle shall
18 not restrict the Commodity Credit Corporation in
19 the discharge of its authority and responsibility as a
20 corporation to buy and sell commodities in world
21 trade, to use the proceeds as a revolving fund to
22 meet other obligations and otherwise operate as a
23 corporation, the purpose for which it was created.

24 (2) REDUCTION IN PAYMENTS MADE UNDER
25 CONTRACTS.—(A) Payments and loan eligibility

1 under any contract entered into with a person by the
2 Commodity Credit Corporation prior to the time any
3 sequestration order has been issued shall not be re-
4 duced by an order subsequently issued. Subject to
5 subparagraph (B), after any sequestration order is
6 issued for a fiscal year, any cash payments made by
7 the Commodity Credit Corporation—

8 (i) under the terms of any one-year con-
9 tract entered into in or after such fiscal year
10 and after the issuance of the order; and

11 (ii) out of an entitlement account,
12 to any person (including any producer, lender, or
13 guarantee entity) shall be subject to reduction under
14 the order.

15 (B) Each contract entered into with producers
16 or producer cooperatives with respect to a particular
17 crop of a commodity and subject to reduction under
18 subparagraph (A) shall be reduced in accordance
19 with the same terms and conditions. If some, but
20 not all, contracts applicable to a crop of a commod-
21 ity have been entered into prior to the issuance of
22 any sequestration order, the order shall provide that
23 the necessary reduction in payments under contracts
24 applicable to the commodity be uniformly applied to

1 all contracts for succeeding crops of the commodity,
2 under the authority provided in paragraph (3).

3 (3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this
4 subtitle, if any sequestration order is issued with re-
5 spect to a fiscal year, any reduction under the order
6 applicable to contracts described in paragraph (2)
7 may provide for reductions in outlays for the ac-
8 count involved to occur in the fiscal years following
9 the fiscal year to which the order applies.
10

11 (4) UNIFORM PERCENTAGE RATE OF REDUC-
12 TION AND OTHER LIMITATIONS.—All reductions de-
13 scribed in paragraph (2) that are required to be
14 made in connection with any sequestration order
15 with respect to a fiscal year—

16 (A) shall be made so as to ensure that out-
17 lays for each program, project, activity, or ac-
18 count involved are reduced by a percentage rate
19 that is uniform for all such programs, projects,
20 activities, and accounts, and may not be made
21 so as to achieve a percentage rate of reduction
22 in any such item exceeding the rate specified in
23 the order; and

24 (B) with respect to commodity price sup-
25 port and income protection programs, shall be

1 made in such manner and under such proce-
2 dures as will attempt to ensure that—

3 (i) uncertainty as to the scope of ben-
4 efits under any such program is mini-
5 mized;

6 (ii) any instability in market prices
7 for agricultural commodities resulting from
8 the reduction is minimized; and

9 (iii) normal production and marketing
10 relationships among agricultural commod-
11 ities (including both contract and non-con-
12 tract commodities) are not distorted.

13 In meeting the criterion set out in clause (iii)
14 of subparagraph (B) of the preceding sentence,
15 the President shall take into consideration that
16 reductions under an order may apply to pro-
17 grams for two or more agricultural commodities
18 that use the same type of production or market-
19 ing resources or that are alternative commod-
20 ities among which a producer could choose in
21 making annual production decisions.

22 (5) CERTAIN AUTHORITY NOT TO BE LIM-
23 ITED.—Nothing in this subtitle shall limit or reduce
24 in any way any appropriation that provides the

1 Commodity Credit Corporation with funds to cover
2 the Corporation's net realized losses.

3 (k) THE JOBS PORTION OF AFDC.—

4 (1) FULL AMOUNT OF SEQUESTRATION RE-
5 QUIRED.—Any sequestration order shall accomplish
6 the full amount of any required reduction of the job
7 opportunities and basic skills training program
8 under section 402(a)(19), and part F of title VI, of
9 the Social Security Act, in the manner specified in
10 this subsection. Such an order may not reduce any
11 Federal matching rate pursuant to section 403(l) of
12 the Social Security Act.

13 (2) NEW ALLOTMENT FORMULA.—

14 (A) GENERAL RULE.—Notwithstanding
15 section 403(k) of the Social Security Act, each
16 State's percentage share of the amount avail-
17 able after sequestration for direct spending pur-
18 suant to section 403(l) of such Act shall be
19 equal to that percentage of the total amount
20 paid to the States pursuant to such section
21 403(l) for the prior fiscal year that is rep-
22 resented by the amount paid to such State pur-
23 suant to such section 403(l) for the prior fiscal
24 year, except that a State may not be allotted an
25 amount under this subparagraph that exceeds

1 the amount that would have been allotted to
2 such State pursuant to such section 403(k) had
3 the sequestration not been in effect.

4 (B) REALLOTMENT OF AMOUNTS REMAIN-
5 ING UNALLOTTED AFTER APPLICATION OF GEN-
6 ERAL RULE.—Any amount made available after
7 sequestration for direct spending pursuant to
8 section 403(l) of the Social Security Act that
9 remains unallotted as a result of subparagraph
10 (A) of this paragraph shall be allotted among
11 the States in proportion to the absolute dif-
12 ference between the amount allotted, respec-
13 tively, to each State as a result of such sub-
14 paragraph and the amount that would have
15 been allotted to such State pursuant to section
16 403(k) of such Act had the sequestration not
17 been in effect, except that a State may not be
18 allotted an amount under this subparagraph
19 that results in a total allotment to the State
20 under this paragraph of more than the amount
21 that would have been allotted to such State
22 pursuant to such section 403(k) had the seques-
23 tration not been in effect.

24 (l) POSTAL SERVICE FUND.—Notwithstanding any
25 other provision of law, any sequestration of the Postal

1 Service Fund shall be accomplished by a payment from
2 that Fund to the General Fund of the Treasury, and the
3 Postmaster General of the United States shall make the
4 full amount of that payment during the fiscal year to
5 which the presidential sequestration order applies.

6 (m) EFFECTS OF SEQUESTRATION.—The effects of
7 sequestration shall be as follows:

8 (1) Budgetary resources sequestered from any
9 account other than an entitlement trust, special, or
10 revolving fund account shall revert to the Treasury
11 and be permanently canceled.

12 (2) Except as otherwise provided, the same per-
13 centage sequestration shall apply to all programs,
14 projects, and activities within a budget account (with
15 programs, projects, and activities as delineated in
16 the appropriation Act or accompanying report for
17 the relevant fiscal year covering that account, or for
18 accounts not included in appropriation Acts, as de-
19 lineated in the most recently submitted President's
20 budget).

21 (3) Administrative regulations or similar ac-
22 tions implementing a sequestration shall be made
23 within 120 days of the sequestration order. To the
24 extent that formula allocations differ at different
25 levels of budgetary resources within an account, pro-

1 gram, project, or activity, the sequestration shall be
2 interpreted as producing a lower total appropriation,
3 with that lower appropriation being obligated as
4 though it had been the pre-sequestration appropria-
5 tion and no sequestration had occurred.

6 (4) Except as otherwise provided, obligations in
7 sequestered direct spending accounts shall be re-
8 duced in the fiscal year in which a sequestration oc-
9 curs and in all succeeding fiscal years.

10 (5) If an automatic spending increase is seques-
11 tered, the increase (in the applicable index) that was
12 disregarded as a result of that sequestration shall
13 not be taken into account in any subsequent fiscal
14 year.

15 (6) Except as otherwise provided, sequestration
16 in accounts for which obligations are indefinite shall
17 be taken in a manner to ensure that obligations in
18 the fiscal year of a sequestration and succeeding fis-
19 cal years are reduced, from the level that would ac-
20 tually have occurred, by the applicable sequestration
21 percentage.

22 **SEC. 224. POINT OF ORDER.**

23 (a) IN GENERAL.—It shall not be in order in the
24 House of Representatives or the Senate to consider any
25 bill, joint resolution, amendment thereto, or conference re-

1 port thereon that includes any provision that has the effect
 2 of modifying the application of this subtitle to any entitle-
 3 ment program subject to sequestration or exempt from se-
 4 questration under this subtitle.

5 (b) WAIVER OR SUSPENSION.—This section may be
 6 waived or suspended in the House of Representatives or
 7 the Senate only by the affirmative vote of three-fifths of
 8 the Members, duly chosen and sworn.

9 **Subtitle D—Balanced Budget by** 10 **Fiscal Year 2002**

11 **SEC. 231. MAXIMUM SPENDING AMOUNTS.**

12 Section 601(a)(1) of the Congressional Budget Act
 13 of 1974 is amended to read as follows:

14 “(1) MAXIMUM SPENDING AMOUNT.—The term
 15 ‘maximum spending amount’ means—

16 “(A) with respect to fiscal year 1996,
 17 \$1,561,000,000,000 in outlays;

18 “(B) with respect to fiscal year 1997,
 19 \$1,592,000,000,000 in outlays;

20 “(C) with respect to fiscal year 1998,
 21 \$1,624,000,000,000 in outlays;

22 “(D) with respect to fiscal year 1999,
 23 \$1,657,000,000,000 in outlays;

24 “(E) with respect to fiscal year 2000,
 25 \$1,706,000,000,000 in outlays;

1 “(F) with respect to fiscal year 2001,
2 \$1,757,000,000,000 in outlays; and

3 “(G) with respect to fiscal year 2002,
4 \$1,810,000,000,000 in outlays.

5 **SEC. 232. ENFORCING MAXIMUM SPENDING SEQUESTRA-**
6 **TION.**

7 (a) SEQUESTRATION.—Section 253(a) of the Bal-
8 anced Budget and Emergency Deficit Control Act of 1985
9 is amended to read as follows:

10 “(a) SEQUESTRATION.—Within 15 days after Con-
11 gress adjourns to end a session (other than the One Hun-
12 dred Third Congress), and on the same day as sequestra-
13 tion (if any) under sections 251 and 252, but after any
14 sequestration required by those sections, there shall be a
15 sequestration (if necessary) to reduce total Federal spend-
16 ing to the maximum permissible level as set forth in sec-
17 tion 601(a)(1) of the Congressional Budget Act of 1974.”.

18 (b) CONFORMING AMENDMENT TO HEADING.—The
19 section heading of section 253 of the Balanced Budget and
20 Emergency Deficit Control Act of 1985 is amended to
21 read as follows:

22 **“SEC. 253. ENFORCING MAXIMUM SPENDING LIMITS.”.**

23 (c) ADDITIONAL CONFORMING AMENDMENTS.—Sec-
24 tion 253 of the Balanced Budget and Emergency Deficit
25 Control Act of 1985 is amended—

1 (1) by repealing subsections (b), (g), and (h),
2 and by redesignating subsections (c), (d), (e), and
3 (f), as subsections (b), (c), (d), and (e), respectively;

4 (2) in subsection (b) (as redesignated), by
5 amending the first sentence to read as follows: “To
6 reduce total Federal spending to the maximum per-
7 missible level for a budget year, 20 percent of the
8 required outlay reductions shall be obtained from
9 non-exempt defense accounts (accounts designated
10 as function 050 in the President’s fiscal year 1996
11 budget submission) and 80 percent from non-ex-
12 empt, non-defense accounts (all other non-exempt
13 accounts).”;

14 (3) in subsection (c) (as redesignated), by strik-
15 ing “subsection (c)” and inserting “subsection (b)”;
16 and

17 (4) in subsection (e) (as redesignated), by strik-
18 ing “(b), (c), (d), and (e)” and inserting “(b), (c),
19 and (d)” and by striking “(d) or (e)” and inserting
20 “(c) or (d)”.

21 (d) LOOK-BACK SEQUESTER.—Section 253 of the
22 Balanced Budget and Emergency Deficit Control Act of
23 1985 is amended by adding at the end the following new
24 subsection:

25 “(f) LOOK-BACK SEQUESTER.—

1 “(1) IN GENERAL.—On July 1 of each fiscal
2 year, the Director of OMB shall determine if laws
3 effective during the current fiscal year will cause
4 spending to exceed the maximum spending amount
5 for such fiscal year. If the limit is exceeded, there
6 shall be a preliminary sequester on July 1 to elimi-
7 nate the excess.

8 “(2) PERMANENT SEQUESTER.—Budget au-
9 thority sequestered on July 1 pursuant to paragraph
10 (1) shall be permanently canceled on July 15.

11 “(3) NO MARGIN.—The margin for determining
12 a sequester under this subsection shall be zero.

13 “(4) SEQUESTRATION PROCEDURES.—The pro-
14 vision of subsections (b), (c), and (d) of this section
15 shall apply to a sequester under this subsection.”.

16 (e) REPORTS.—Section 254 of the Balanced Budget
17 and Emergency Deficit Control Act of 1985 is amended—

18 (1) by striking subsection (c);

19 (2) in subsection (d)(1), by striking “deficit se-
20 questration” and inserting “total spending seques-
21 tration”;

22 (3) in subsection (d) by repealing paragraph (4)
23 and inserting the following new paragraph:

1 “(4) TOTAL SPENDING SEQUESTRATION RE-
2 PORTS.—The preview reports shall set forth for the
3 budget year estimates for each of the following:

4 “(A) The amount of reductions required
5 from defense accounts and the reductions re-
6 quired from non-defense accounts.

7 “(B) The sequestration percentage nec-
8 essary to achieve the required reduction in de-
9 fense accounts under section 253(c).

10 “(C) The reductions required under sec-
11 tions 253(d)(1) and 253(d)(2).

12 “(D) The sequestration percentage nec-
13 essary to achieve the required reduction in non-
14 defense accounts under section 253(d)(3).”; and

15 (4) in subsection (g)(3), by striking “DEFICIT”
16 and inserting “TOTAL SPENDING” in the side head-
17 ing and in the first sentence by striking “deficit”
18 and inserting “total spending”.

19 (f) CONFORMING AMENDMENT TO TABLE OF CON-
20 TENTS.—The item relating to section 253 is amended by
21 striking “Enforcing deficit targets” and inserting “En-
22 forcing maximum spending limits”.

1 **SEC. 233. TOTAL SPENDING POINT OF ORDER.**

2 (a) TOTAL SPENDING POINT OF ORDER.—Section
3 605(b) of the Congressional Budget Act of 1974 is amend-
4 ed to read as follows:

5 “(b) TOTAL SPENDING POINT OF ORDER.—

6 “(1) IN GENERAL.—It shall not be in order in
7 the House of Representatives or the Senate to con-
8 sider any bill, joint resolution, amendment thereto,
9 or conference report thereon, that includes any pro-
10 vision that would result in total spending for a fiscal
11 year that exceeds the maximum permissible total
12 spending amount for such fiscal year as set forth in
13 section 601(a)(1).

14 “(2) WAIVER OR SUSPENSION.—This subsection
15 may be waived or suspended in the House of Rep-
16 resentatives or the Senate only by the affirmative
17 vote of three-fifths of its Members, duly chosen and
18 sworn.”.

○

S 1050 IS——2

S 1050 IS——3

S 1050 IS——4

S 1050 IS——5